

December Quarter 2018 Results



This presentation contains certain financial measures that are not recognized under generally accepted accounting principles in the United States (“GAAP”), including adjusted EBITDA (including adjusted EBITDA margin), adjusted EBITA (including adjusted EBITA margin), marketplace-based core commerce adjusted EBITA, non-GAAP net income, non-GAAP diluted EPS and free cash flow. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, see GAAP to Adjusted/Non-GAAP Measures Reconciliation.

This announcement contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “potential,” “continue,” “ongoing,” “targets,” “guidance” and similar statements. Among other things, statements that are not historical facts, including statements about Alibaba’s strategies and business plans, Alibaba’s beliefs, expectations and guidance regarding the growth of its business and its revenue, the business outlook and quotations from management in this announcement, as well as Alibaba’s strategic and operational plans, are or contain forward-looking statements. Alibaba may also make forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the “SEC”), in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: Alibaba’s expected revenue growth; Alibaba’s goals and strategies; Alibaba’s future business development; Alibaba’s ability to maintain the trusted status of its ecosystem, reputation and brand; risks associated with increased investments in Alibaba’s business and new business initiatives; risks associated with strategic acquisitions and investments; Alibaba’s ability to retain or increase engagement of consumers, merchants and other participants in its ecosystem and enable new offerings; Alibaba’s ability to maintain or grow its revenue or business; risks associated with limitation or restriction of services provided by Alipay; changes in laws, regulations and regulatory environment that affect Alibaba’s business operations; privacy and regulatory concerns; competition; security breaches; the continued growth of the e-commerce market in China and globally; risks associated with the performance of our business partners, including but not limited to Ant Financial; and fluctuations in general economic and business conditions in China and globally and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in Alibaba’s filings with the SEC. All information provided in this results announcement is as of the date of this results announcement and are based on assumptions that we believe to be reasonable as of this date, and Alibaba does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

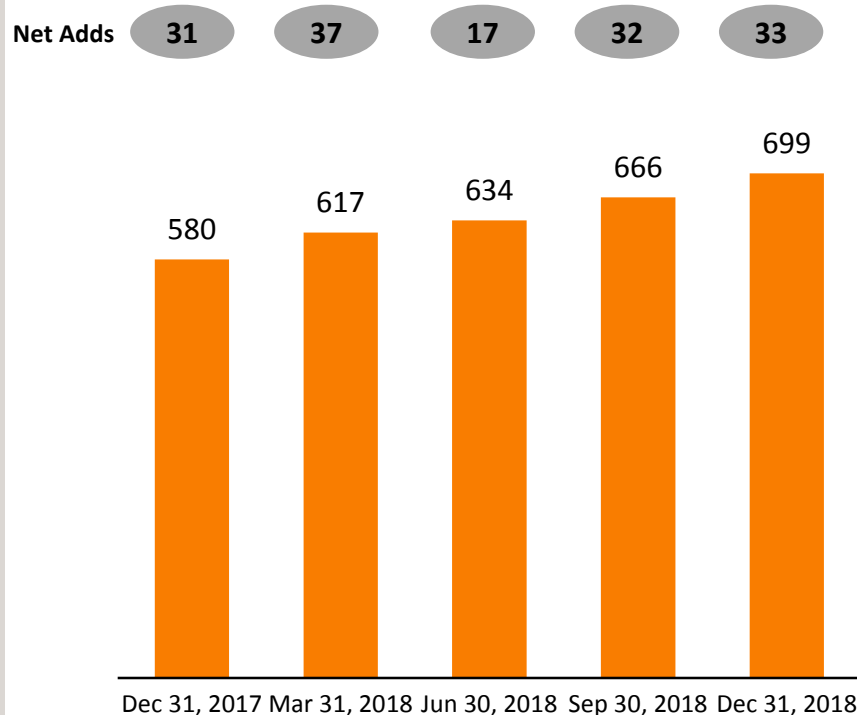
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Business and Strategic Updates

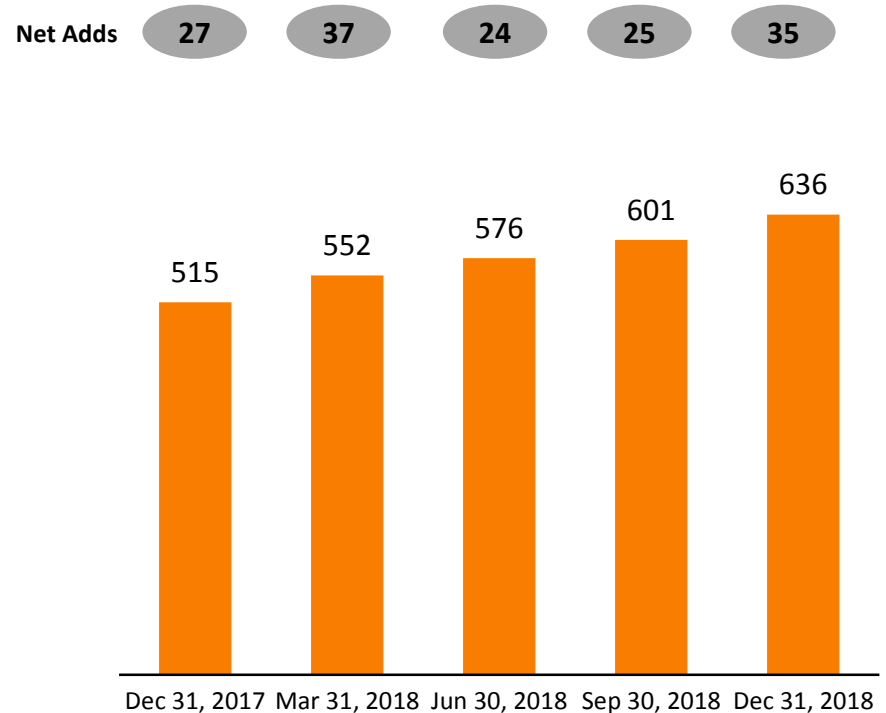
Accelerated Growth in User Base and User Engagement

- **Mobile MAUs** on our China retail marketplaces reached 699 million in December 2018, a net increase of 33 million over September 2018.
- **Annual active consumers** on our China retail marketplaces reached 636 million, a net increase of 35 million from the 12-month period ended September 30, 2018.

Mobile MAUs⁽¹⁾ (in MM)



Annual Active Consumers⁽²⁾ (in MM)



Notes:

(1) For the month ended on the respective dates.

(2) For the twelve months ended on the respective dates.

The 10th 11.11 Global Shopping Festival

- The success of this year's Global Shopping Festival demonstrated the strength of our technology and logistics infrastructure, as well as payment and other e-commerce ecosystem partners, operating at massive scale.



11.11 Gala produced by Youku



The 10th 11.11 Global Shopping Festival

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Platform

GMV
RMB213.5 Bn
US\$30.8 Bn

> 1 Bn
Delivery orders

Extensive synergy creation among business units: **online video entertainment, local services, cross-border e-commerce, and store-based retail** etc.

Top Performing Brands

237
Brands exceeded
RMB100 MM in GMV

Over 180,000
Total brands participated

Top countries selling to China
Japan, United States, South Korea, Australia and Germany

Consumer Participation

46%
of consumers were born
after 1990

Over 40%
of consumers made purchases
from international brands

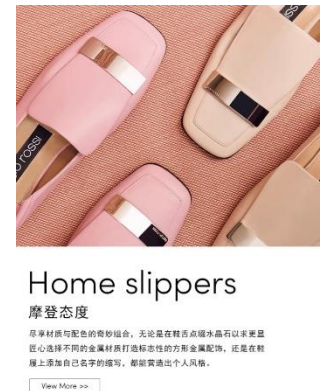
230
Countries/regions with
completed transactions

Tmall – Extending B2C Market Leadership

- **Tmall** continued to extend its B2C market leadership and consumer wallet share. Excluding unpaid orders, Tmall physical goods GMV grew 29% year-over-year, outpacing the industry and reflecting strong secular consumption trends. This robust growth was driven by strength in the fast-moving consumer goods (FMCG), apparel and home furnishing categories.



- During the quarter, brands including Valentino, Ermenegildo Zegna, Stuart Weitzman and Sergio Rossi opened Tmall flagship stores and joined our Luxury Pavilion. Launched in August 2017, Tmall Luxury Pavilion now offers more than 80 brands. Products range from apparel and beauty items to watches and luxury cars.



- During the December 2018 quarter, Alibaba Cloud launched 678 new products and features, including those related to core cloud offerings, data intelligence, AI applications, security and enterprise solutions.
- In November 2018, we appointed Jeff Zhang as president of Alibaba Cloud, adding to his responsibility on top of his role as our Chief Technology Officer. We believe that placing Alibaba Cloud under the leadership of our group's overall technology management will enable our cloud business to leverage the best-in-class technology innovations of the entire group. Under this framework, we can make available to customers of Alibaba Cloud much of the proprietary technology we use in our own business, such as infrastructure technology, data management and value-added services.



Alibaba Cloud Booth at The 2018 Computing Conference
in October, Hangzhou, China



Jeff Zhang spoke at the ONE Business Conference,
in January, Hangzhou, China

New Retail - Redefining the Future of Brick-and-mortar

- Our proprietary grocery retail chain **Freshippo (formerly Hema)** continued to expand its footprint, optimize its stores and introduce new initiatives that improve customer experience. As of December 31, 2018, there were 109 self-operated Freshippo stores in China, primarily located in tier 1 and tier 2 cities. During the quarter, Freshippo continued to achieve robust same-store sales growth.



A Freshippo Store Opening in December, Chongqing, China



Progress in Digitizing Partner Retailers and Enabling Their New Retail Model

- As of the end of the quarter, we have digitized approximately 470 **Sun Art** stores with our New Retail know-how and technology, enabling these stores to better manage their retail systems, while allowing consumers to place orders through the Taobao App and secure delivery through our on-demand delivery platform.

Local Consumer Services – Driving Greater Value to Consumers and Merchants in the Local Consumer Service Industry

- In December 2018, we combined our on-demand food delivery platform Ele.me with restaurant and local service guide platform Koubei to create a discrete business that we call “local consumer services.” This business is financed with over US\$3 billion in equity capital from Alibaba, SoftBank and other third party investors.
- During the quarter, daily on-demand orders and GMV continued to show strong growth. Our local consumer services business is an important part of our consumer-facing platform, which leverages our 636 million annual active consumers to further penetrate the local services market, increasing our ability to tap into China’s ongoing consumption upgrade. In addition, we expect that our commerce platform technology, know-how and infrastructure will deliver consumer insights and digitized operational solutions to empower local merchants on the platform.



Digital Media and Entertainment

- To more closely align the distribution business with our content strategy, during the quarter, we agreed to increase our stake in Alibaba Pictures to approximately 51%, subject to approval by Alibaba Pictures' independent shareholders.
- Upon closing, **Alibaba Pictures** will become our consolidated subsidiary, and our digital media entertainment businesses, including Youku, Damai and Alibaba Literature, will begin to collaborate more closely with Alibaba Pictures.
- We have also named Luyuan Fan, the Chairman and CEO of Alibaba Pictures, as the president of our digital media and entertainment business. We believe increased alignment of strategy and management will put our digital media and entertainment business in a stronger position to deliver competitive offerings to consumers.



Wolf Warriors II

Youth

Operation Red Sea

Dying to Survive

Hello, Mr. Billionaire

Project Gutenberg

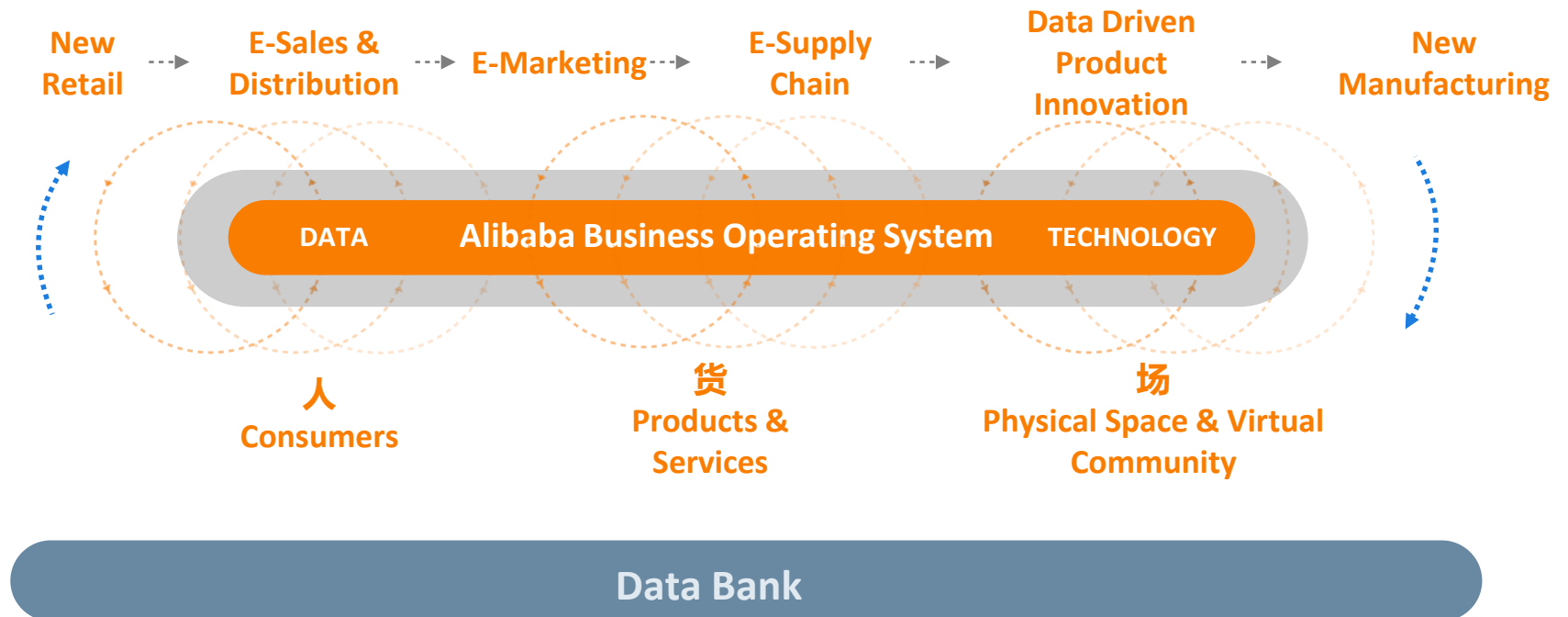
International – Building Foundation for Growth in Southeast Asia

- **Lazada:** During the quarter, we emphasized strengthening Lazada's third-party marketplace business, which witnessed robust growth in GMV. At the same time, we reduced exposure to direct product sales in select merchandise categories, as we believe this strategy will best position Lazada for sustainable and scalable long-term growth.
- **As it relates to cross-border,** our priority is to meet rising demand for high-quality imported products to serve Chinese consumers. At China's inaugural Global Import Leadership Summit held in Shanghai in November, we announced a commitment to import US\$200 billion of goods from all over the world over the next five years. To this end, we expect to significantly invest in our supply chain capabilities, overseas supplier enablement, import platform operations as well as cross-border logistics.



Unveiling the \$200 billion goal at the Global Import Leadership Summit of China International Import Expo, Shanghai, China

Alibaba Business Operating System

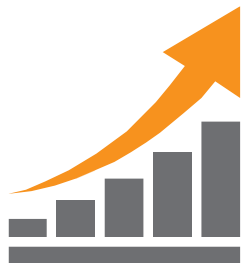


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Financial Results

December Quarter 2018 Financial Highlights

Revenue



41% YoY
Total Revenue Growth

40% YoY
Core Commerce
Revenue Growth

Cloud



84% YoY
Cloud Computing
Revenue Growth

Consumers



699 MM
Mobile MAUs ⁽¹⁾

636 MM
Annual Active Consumers ⁽²⁾

Profitability and Cash Flow



RMB36.6 Bn
Adjusted EBITA

US\$7.5 Bn⁽³⁾
Non-GAAP Free Cash Flow

Notes: Unless otherwise indicated, all figures above are for the three months ended December 31, 2018.

(1) For the month ended December 31, 2018; in a given month, the number of unique mobile devices that were used to visit or access certain of our mobile applications at least once during that month.

(2) For the 12-month period ended December 31, 2018; the number of annual active consumers on our China retail marketplaces.

(3) All translations of RMB into US\$ were made at RMB6.8755 to US\$1.00, the exchange rate on December 31, 2018 as set forth in the H.10 statistical release of the Federal Reserve Board.

Quarterly Revenue

- Total revenue YoY growth of 41% was mainly driven by the robust revenue growth of our China commerce retail business, the consolidation of Ele.me, as well as strong revenue growth of Alibaba Cloud.
- Our revenue growth during the quarter continued to outperform that of global technology peers.

Total Revenue Breakdown⁽¹⁾

	<u>Three months ended December 31, 2018</u>		
	<u>RMB MM</u>	<u>% of Revenue</u>	<u>YoY %</u>
Core commerce:			
China commerce retail			
- Customer management	49,592	42%	28%
- Commission	20,165	17%	24%
- Others	11,298	10%	122%
	<u>81,055</u>	<u>69%</u>	<u>35%</u>
China commerce wholesale	2,694	2%	40%
International commerce retail	5,834	5%	23%
International commerce wholesale	2,175	2%	31%
Cainiao logistics services	4,491	4%	15%
Local consumer services	5,159	5%	N/A
Others	1,435	1%	58%
Total core commerce	<u>102,843</u>	<u>88%</u>	<u>40%</u>
Cloud computing	6,611	6%	84%
Digital media and entertainment	6,491	5%	20%
Innovation initiatives and others	1,333	1%	73%
Total	<u>117,278</u>	<u>100%</u>	<u>41%</u>

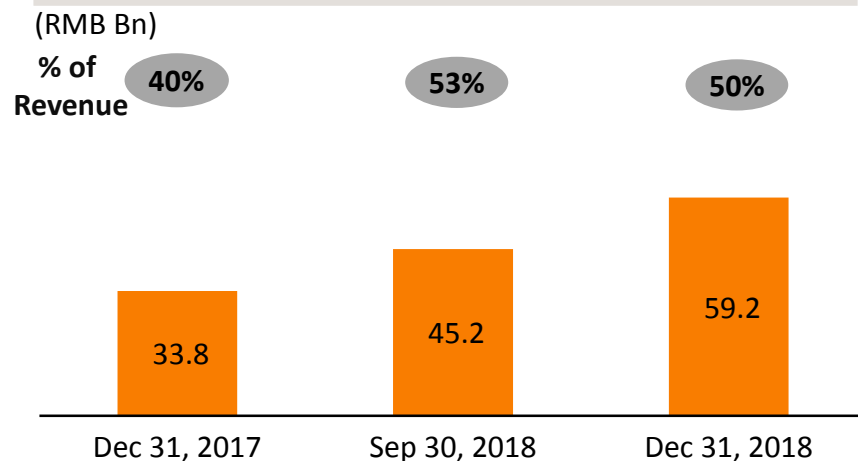
} 27% YoY

Notes: We started to consolidate Cainiao Network in mid-October 2017, Ele.me in May 2018 and Koubei in December 2018.

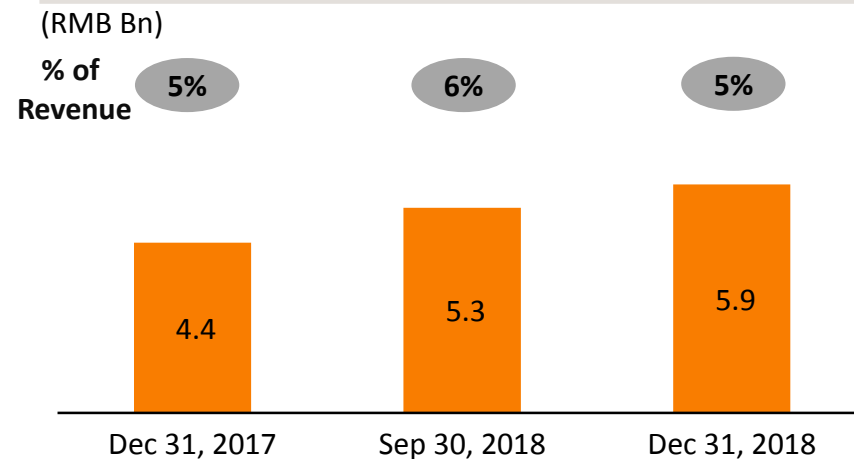
(1) After elimination of inter-company transactions.

Quarterly Cost Trends

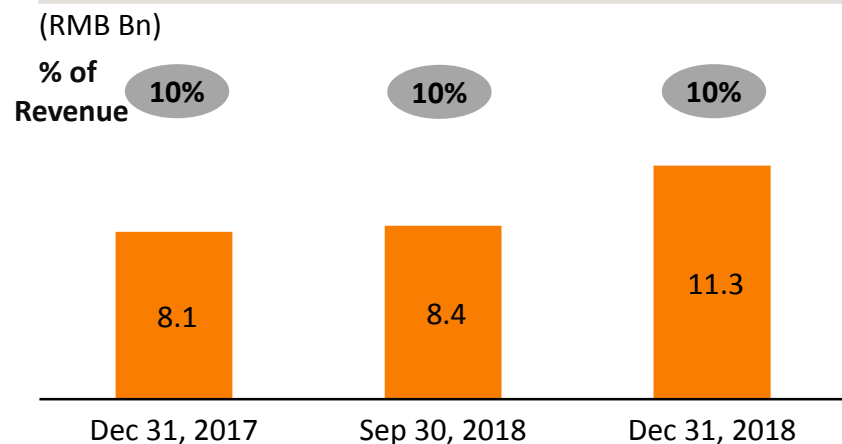
Cost of Revenue (Excluding SBC)



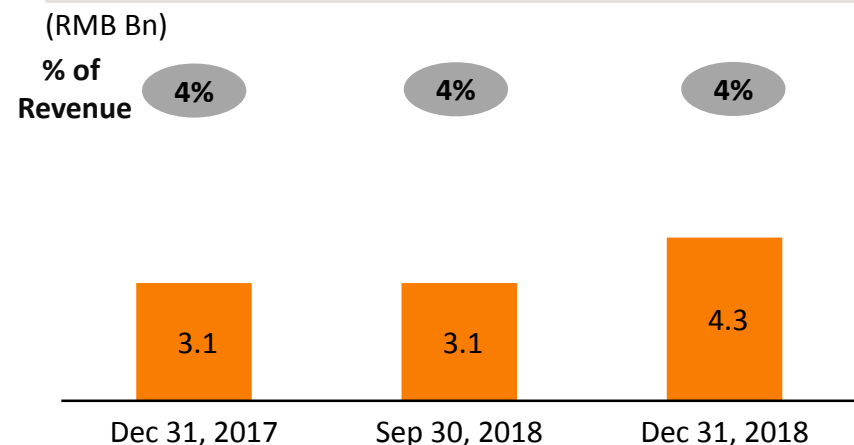
Product Development Expenses (Excluding SBC)





























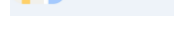




Sales & Marketing Expenses (Excluding SBC)



General & Administrative Expenses (Excluding SBC)



December Quarter Segment Reporting

	Core Commerce <i>China Commerce Retail</i>  淘宝网 天猫 TMALL.COM  聚划算 农村淘宝 天猫超市  阿里妈妈 TMALL GLOBAL  FRESHIPPO 银泰商业 Intime Retail <i>China Commerce Wholesale</i>  阿里巴巴 <i>International Commerce Retail</i>  AliExpress LAZADA <i>International Commerce Wholesale</i>  Alibaba.com <i>Cainiao Logistics Services</i>  菜鸟 <i>Local Consumer Services</i>  饿了么  口碑	Cloud Computing  Alibaba Cloud	Digital Media & Entertainment  UC  UC News  YOUKU  Tudou  优酷  土豆  阿里体育  Alisports.com  阿里音乐  Alibaba Music  TMALL TV  阿里游戏  大麦  damai.cn	Innovation Initiatives & Others  高德地图  amap.com  AliOS  钉钉  天猫精灵  TMALL GENIE	Un-allocated⁽²⁾	Consolidated
Dec Q 18 Revenue (MM)	RMB 102,843 US\$ 14,958 40% YoY	RMB 6,611 US\$ 962 84% YoY	RMB 6,491 US\$ 944 20% YoY	RMB 1,333 US\$ 193 73% YoY	-	RMB 117,278 US\$ 17,057 41% YoY
Dec Q 18 Adjusted EBITA (MM)	RMB 46,079 US\$ 6,702	RMB (274) US\$ (40)	RMB (6,034) US\$ (878)	RMB (1,596) US\$ (232)	RMB (1,608) US\$ (234)	RMB 36,567 US\$ 5,318
Dec Q 18 Adjusted EBITA Margin (%)	45%	(4%)	(93%)	(120%)		31%

Notes:

(1) Segmental information is presented after elimination of inter-company transactions.

(2) Unallocated expenses are primarily related to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.

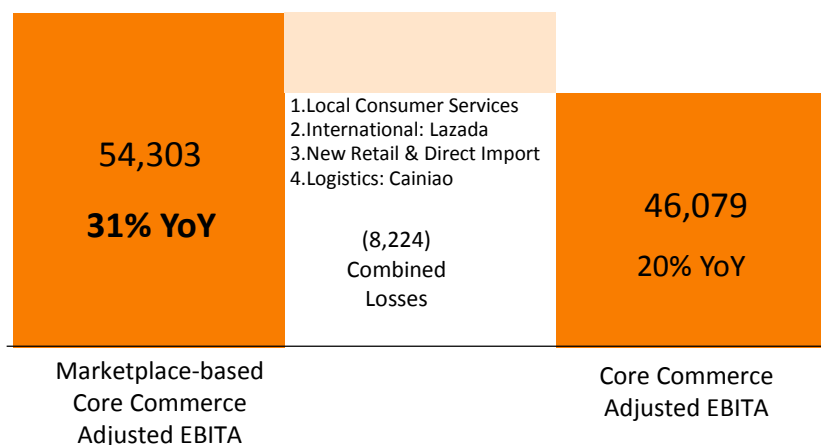
All translations of RMB into US\$ were made at RMB6.8755 to US\$1.00, the exchange rate on December 31, 2018 as set forth in the H.10 statistical release of the Federal Reserve Board.

Core Commerce Adjusted EBITA

- **Marketplace-based Core Commerce Adjusted EBITA⁽¹⁾** grew 31% YoY to RMB54.3 billion (US\$7.9 billion). Strong marketplace-based core commerce profits allow us to invest in areas that add value to our customers and contribute to long-term growth for the company.
- **Core Commerce Adjusted EBITA** grew 20% YoY to RMB46.1 billion (US\$6.7 billion), reflecting ongoing investments in four strategic but loss-making businesses. For the December quarter, these businesses ranked in order from highest to lowest losses are shown in the charts below.
- Local consumer services' losses increased QoQ due to Ele.me's higher spending for market share gain and Koubei consolidation.

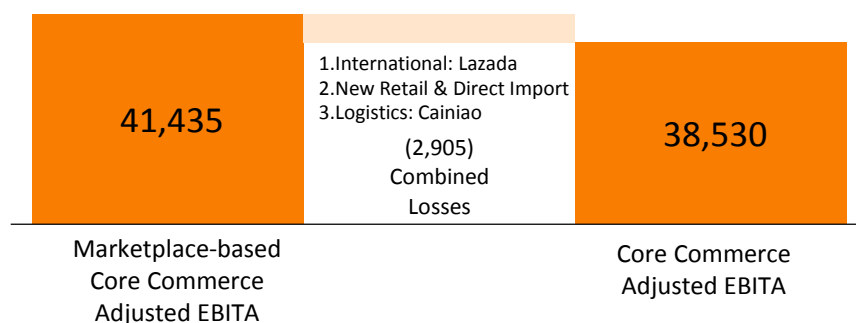
December Quarter 2018

(RMB MM)



December Quarter 2017

(RMB MM)



Notes:

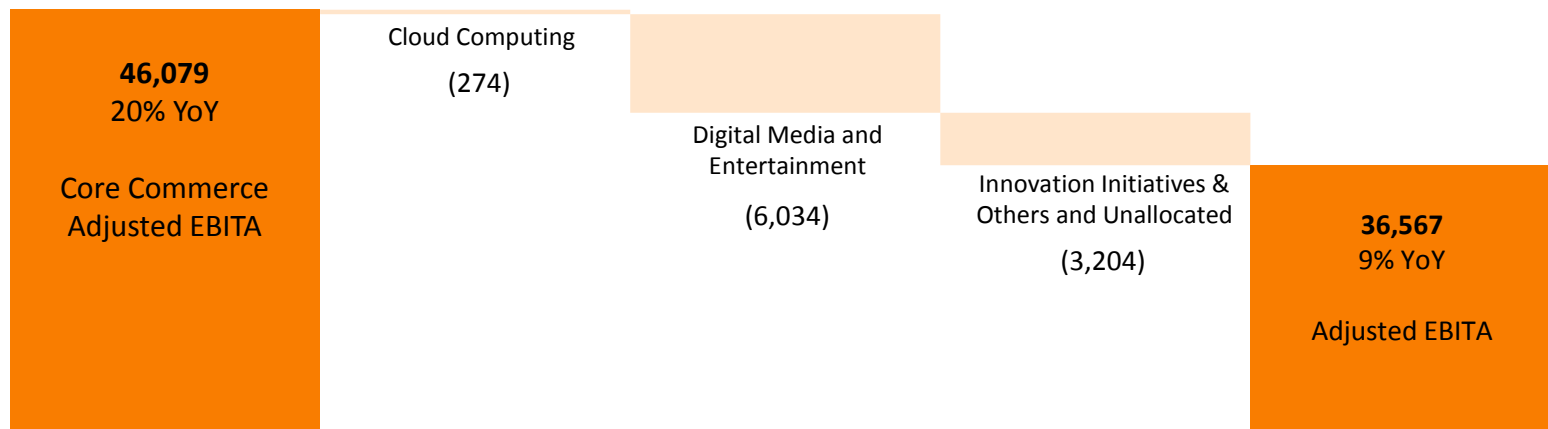
- (1) Marketplace-based core commerce adjusted EBITA represents adjusted EBITA for core commerce excluding the effects of local consumer services, Lazada, New Retail and direct import and Cainiao Network.
- (2) New Retail and direct import primarily includes Freshippo, Tmall Direct Import and Intime.

Adjusted EBITA by Segment

- **Cloud Computing** revenue increased 84% YoY to RMB6,611 million (US\$962 million). Adjusted EBITA was a loss of RMB274 million (US\$40 million).
- **Digital Media and Entertainment** revenue increased 20% YoY to RMB6,491 million (US\$944 million). Adjusted EBITA was a loss of RMB6,034 million (US\$878 million), primarily due to our investments in the production of original content and licensing rights and impairment charges on licensed copyrights of RMB2.8 billion (US\$407 million), following a regular evaluation of programming that did not generate expected returns.
- **Innovation Initiatives and Others** revenue increased 73% YoY to RMB1,333 million (US\$193 million). Adjusted EBITA was a loss of RMB1,596 million (US\$232 million), primarily due to investments in new business initiatives, including Tmall Genie.

December Quarter 2018

(RMB MM)



Other Financial Metrics

- **Exchange Loss:** In this quarter, we had exchange loss of RMB101 million (US\$15 million), decreasing from a loss of RMB907 million in the quarter ended December 31, 2017.
- **Profit Sharing from Ant Financial:** During the quarter, we did not recognize any royalty fees and software technology service fees under our profit sharing arrangement with Ant Financial.
- **Tax Expenses and Effective Tax Rate:** For the quarter, our effective tax rate was 15%, compared to 14% in the same quarter of 2017. Excluding SBC expense, investment gain/loss, impairment of investments, our effective tax rate would have been 21%.
- **Share of Results of Equity Investees** was a loss of RMB861 million (US\$125 million). We record our share of results of equity investees one quarter in arrears. Share of results of equity investees in the quarter ended December 31, 2018 and the comparative period consisted of the following:

In RMB MM	Dec Q 2017	Dec Q 2018
Share of (loss) profit of equity investees:		
- Koubei*	(580)	—
- Other equity investees	681	22
Impairment loss	(18,153)	(493)
Dilution (loss) gain	(10)	26
Others**	(390)	(416)
TOTAL	(18,452)	(861)

Notes:

* We started to consolidate Koubei in December 2018 after we obtained control.

** Others mainly include amortization of intangible assets of equity investees and share-based compensation expense.

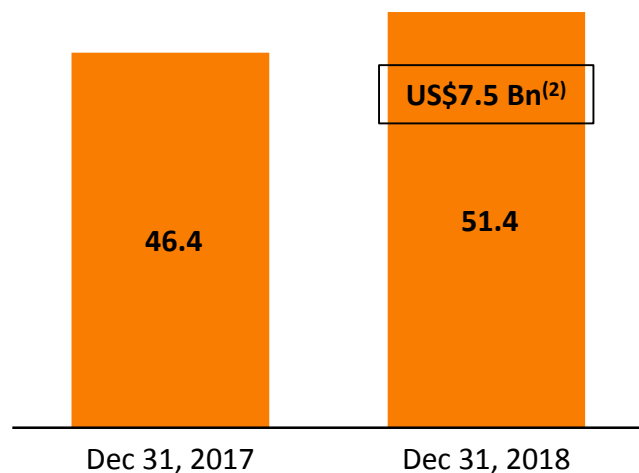
All translations of RMB into US\$ were made at RMB6.8755 to US\$1.00, the exchange rate on December 31, 2018 as set forth in the H.10 statistical release of the Federal Reserve Board.

Free Cash Flow & Capital Expenditures

- As of December 31, 2018, cash, cash equivalent and short-term investments were RMB192.3 billion (US\$28.0 billion). The increase was primarily due to free cash flow generated from operations, partly offset by cash used in investment and acquisition activities and share repurchase.
- During the quarter, we generated robust operating cash flow of RMB64.9 billion (US\$9.4 billion), an increase of 17% compared to the same quarter of 2017; and healthy free cash flow of RMB51.4 billion (US\$7.5 billion), an increase of 11% compared to the same quarter of 2017.
- In September 2018, we announced an ADS repurchase plan to implement the previously announced US\$6 billion share repurchase program. Including the repurchase of approximately 9.12 million ADSs already announced in our prior earnings release on November 2, 2018, we have now repurchased approximately 10.86 million of our ADSs for a total of approximately US\$1.57 billion as of January 29, 2019.

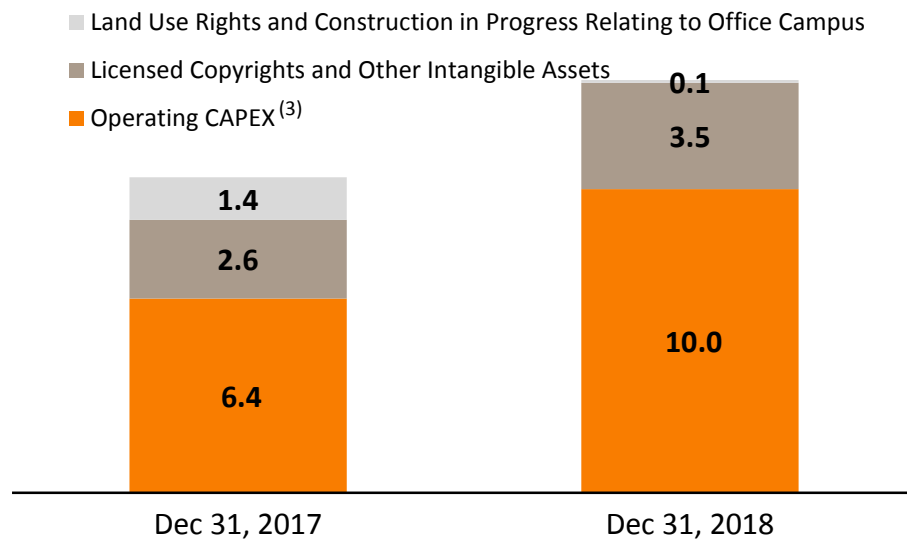
Non-GAAP Free Cash Flow ⁽¹⁾

(RMB Bn)



Capital Expenditures, Licensed Copyrights and Other Intangible Assets

(RMB Bn)



Notes: Unless otherwise indicated, all figures in the above charts are for the three months ended on the respective dates.

(1) Non-GAAP free cash flow represents net cash provided by operating activities as presented in Alibaba Group's consolidated cash flow statement less purchases of property and equipment, licensed copyrights and other intangible assets (excluding acquisition of land use rights and construction in progress relating to office campus).

(2) All translations of RMB into US\$ were made at RMB6.8755 to US\$1.00, the exchange rate on December 31, 2018 as set forth in the H.10 statistical release of the Federal Reserve Board.

(3) Operating CAPEX refers to the purchases of property and equipment (excluding land use rights and construction in progress relating to office campus).

GAAP to Adjusted/Non-GAAP Measures Reconciliation

	Three months ended		
	December 31, 2017	December 31, 2018	
	(RMB MM)	(RMB MM)	(US\$MM)
Adjusted EBITDA			
Income from operations	25,996	26,798	3,898
Add: Share-based compensation expense	5,115	6,960	1,012
Add: Amortization of intangible assets	2,057	2,809	408
Add: Impairment of goodwill	494	-	-
Adjusted EBITA	33,662	36,567	5,318
Add: Depreciation and amortization of property and equipment and land use rights	2,521	4,141	603
Adjusted EBITDA	36,183	40,708	5,921
Non-GAAP net income			
Net income	23,332	30,964	4,504
Add: Share-based compensation expense	5,115	6,960	1,012
Add: Amortization of intangible assets	2,057	2,809	408
Add: Impairment of goodwill and investments	19,033	7,552	1,098
Less: Gain on deemed disposals/disposals/revaluation of investments and others	(22,406)	(16,859)	(2,452)
Add: Amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Financial	66	66	10
Adjusted for tax effects on non-GAAP adjustments	(190)	(1,695)	(246)
Non-GAAP net income	27,007	29,797	4,334
Non-GAAP Free cash flow			
Net cash provided by operating activities	55,428	64,898	9,439
Less: Purchase of property and equipment (excluding land use rights and construction in progress relating to office campus)	(6,463)	(10,011)	(1,456)
Less: Acquisition of licensed copyrights and other intangible assets	(2,566)	(3,514)	(511)
Non-GAAP Free cash flow	46,399	51,373	7,472

GAAP to Adjusted/Non-GAAP Measures Reconciliation

	Three months ended		
	December 31, 2017	December 31, 2018	
Marketplace-based core commerce adjusted EBITA	(RMB MM)	(RMB MM)	(US\$MM)
Adjusted EBITA for core commerce	38,530	46,079	6,702
Less: Effects of local consumer services, Lazada, New Retail and direct import and Cainiao Network	2,905	8,224	1,196
Marketplace-based core commerce adjusted EBITA	41,435	54,303	7,898



Alibaba Group
阿里巴巴集团

